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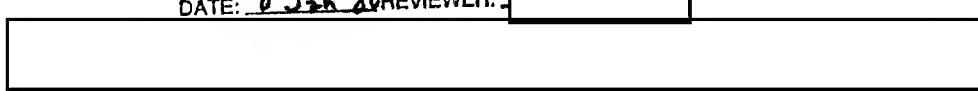
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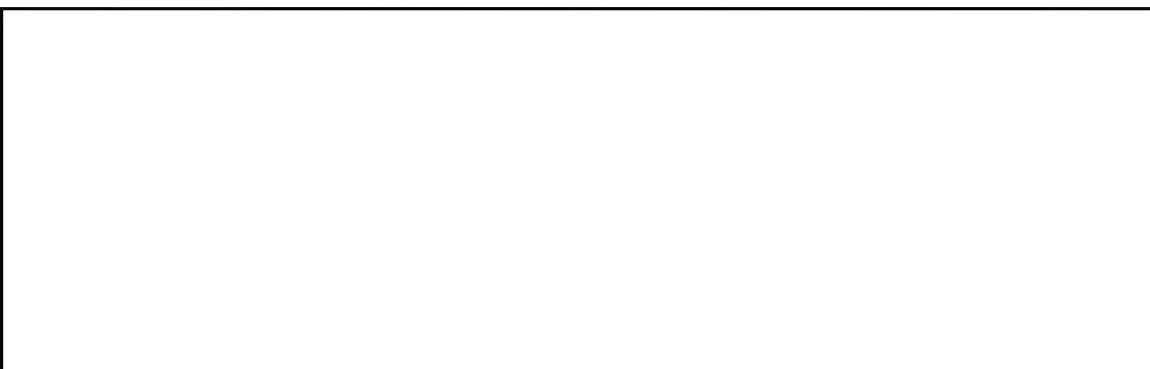
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

TOP SECRET

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Approved For Release 2002/10/21 : CIA-RDP79T00975A001900560001-9

SUMMARY

GENERAL

1. Comment on Western European view that USSR will revert to "hard" foreign policy (page 3).

SOVIET UNION

2. Ambassador Bohlen comments on Malenkov's downfall (page 4).
3. Comment on recent Soviet statements on Formosa (page 5).
4. [redacted]
5. Warsaw conference suggests new Soviet position on troop withdrawal from Germany (page 6).

FAR EAST

6. [redacted]
7. Comment on Chinese Communist threat to Nanchishan (page 8).
8. [redacted]

9. [redacted]

25X1

WESTERN EUROPE

10. French may consider tripartite solidarity at stake in Near East (page 10).
11. Comment on the French government crisis (page 11).

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GENERAL

1. Comment on Western European view that USSR will revert to
25X1A "hard" foreign policy:

Government officials and the non-Communist press in Western Europe are virtually unanimous in their view that the new Soviet leadership will adopt a "hard" foreign policy line.

Hope for a top-level East-West meeting has dwindled. Chancellor Adenauer states that his opponents' arguments against German rearmament have been blighted. The British Foreign Office has announced that Eden will cut short

his Far Eastern trip which is to follow the Manila pact conference late this month.

A high Dutch Foreign Ministry official, whose government foresees a reversion to Stalinism in the USSR, states that Khrushchev may not restrain the Chinese Communists. He described Molotov's speech as "belligerent."

Italy's Foreign Minister Martino believes a "hard" Soviet policy will help Rome's anti-Communist campaign.

European Socialists, such as Aneurin Bevan in Britain and the Social Democrats in West Germany, appear to share the general view that the Soviet Union will take a harder line and are expressing regret at "the failure of the West to grasp the hand offered by Malenkov."

The growing conviction that the Soviet Union may revert to more belligerent cold-war policies will lead to greater attention to defense problems in Western Europe. Any suggestion of stronger Soviet support for Communist China will quicken the sense of urgency about an early settlement in the Far East.

SOVIET UNION

2. Ambassador Bohlen comments on Malenkov's downfall:

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Ambassador Bohlen believes that Malenkov's downfall is the logical climax of a far-reaching split within the top leadership involving two different concepts of the future development of the USSR.

Signs of differences between Khrushchev and Malenkov over economic policy first appeared nearly a year ago, but problems of foreign affairs, especially German rearmament, apparently brought matters to a head in the latter part of December. The ambassador feels that Malenkov's defeat marks a return to the Stalinist outlook and will lead to a hardening all along the line in both foreign and domestic policy.

Bohlen states that, while Khrushchev's victory makes him the most powerful man in the USSR, it would be premature to conclude that the period of collective leadership is drawing to a close. The personal power factor appears to be the result rather than the cause of the policy dispute.

Although Malenkov's fate is uncertain, his demotion appears to follow the traditional path of gradual elimination. The ambassador comments, however, that Malenkov's statement to the Supreme Soviet was unlike the abject groveling of discredited leaders in Stalin's day and contained no specific repudiation of his policies as prime minister except on the issue of heavy industry. In fact, Malenkov's deliberate effort to connect his guilt to Stalinist agricultural policies could be an indirect slap at Khrushchev's agricultural program, which bears more resemblance to Stalinist coercive methods than did the incentives stressed by Malenkov in 1953.

One version of the affair, allegedly emanating from the London Daily Worker correspondent in Moscow, states that Malenkov walked out of the recent central committee debate on economic problems. It was supposedly only after this that it was decided to relieve him as prime minister, it having been planned for him to stay in that post as an expression of party solidarity on the new line. Ambassador Bohlen is especially interested in this unconfirmed version's implication that Malenkov rather than Khrushchev forced the issue of his removal.

25X1A

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Comment: In connection with the ambassador's remarks on the continuation of collective leadership, the removal of Beria and now the demotion of Malenkov may render Khrushchev's consolidation of his position a simpler task than that which Malenkov faced.

25X1A 3. Comment on recent Soviet statements on Formosa:

The latest statements of Bulganin and Molotov on the Formosa situation appear designed to convince the world of Soviet-Chinese Communist solidarity. Bulganin's pledge of "full Soviet approval and support" for the "noble cause" of the Chinese people is the strongest statement Moscow has made on the Formosa issue.

Like all previous Soviet pronouncements on Formosa, however, these latest speeches made no specific commitment of arms or aid, and both omitted the usual reference to Chinese determination to "liberate" the island. Bulganin maintained the careful distinction that it is the Soviet "people," not the government, to whom the Chinese may look for sympathy and support, and Molotov did not give even this much support.

Both leaders reiterated that American withdrawal from the China area is the only solution to the problem, and both strongly reproached the UN for failing to demand this.

Initial Soviet comment on the much-publicized fifth anniversary of the Sino-Soviet treaty on 14 February has carefully skirted application of the treaty to the current Formosa crisis.

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5. Warsaw conference suggests new Soviet position on troop withdrawal from Germany:

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A conference of official delegations from the Orbit states and of Communist-front delegations from eight West European countries, which met in Warsaw on 6 February, has issued a statement that four-power agreement is possible on the simultaneous withdrawal of all occupation

troops from Germany, with the Soviet troops returning to the USSR. The statement suggested the withdrawal from Poland of all Soviet troops guarding military communication lines to Germany.

The proposal also included German unification with "free and controlled" elections based on an electoral law guaranteeing democratic freedoms, as was envisaged in the Eden plan. It declared that only a German settlement would make an Austrian treaty possible and reaffirmed that ratification of the Paris accords would ruin the chances for negotiations.

25X1A

Approved For Release 2002/10/21 : CIA-RDP79T00975A001900560001-9

The communique was reported by the Polish and East German radios and by the French Communist paper L'Humanité.

Comment: At the Berlin conference and in a note of October 1954 the USSR proposed that, as an integral part of a German settlement, most occupation troops be withdrawn. This was not mentioned, however, in the Soviet statement of 15 January. The Warsaw communique is the first hint that Moscow might even offer to pull all troops in Germany back to Soviet territory and also withdraw its troops from Poland.

The introduction of this new proposal at an unofficial and low-level conference instead of in a major Soviet note or speech may be an attempt to influence the West German Bundestag debates on the Paris accords without formally committing the Soviet Union. Moscow will have to endorse the proposal if it is to have any impact in Germany, a step the Soviet Union may well take if convinced that it will never be forced by Western agreement to implement it.

The statement on all-German elections is in line with recent Soviet propaganda which has tried to prove that the Soviet position is close to the Eden plan without specifying any new concessions.

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11 Feb 55

CURRENT INTELLIGENCE BULLETIN

Page 7

Approved For Release 2002/10/21 : CIA-RDP79T00975A001900560001-9

25X1A

Approved For Release 2002/10/21 : CIA-RDP79T00975A001900560001-9

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25X1A 7. Comment on Chinese Communist threat to Nanchishan:

The Chinese Nationalists apparently intend to try to hold the small offshore island of Nanchishan, which was formerly part of the Tachen command.

Taipei is planning to remove civilians from Nanchishan. The garrison of 2,500 regular troops and 700 guerrillas is to remain, however, and may be augmented by guerrillas evacuated from the Tachens.

Nanchishan, 85 miles southwest of the Tachens and only 16 miles from the mainland, can be dominated by Communist air power from the Shanghai-Ningpo complex just as the Tachens were. The Communists could be ready in a short time to undertake an amphibious operation against the island as well.

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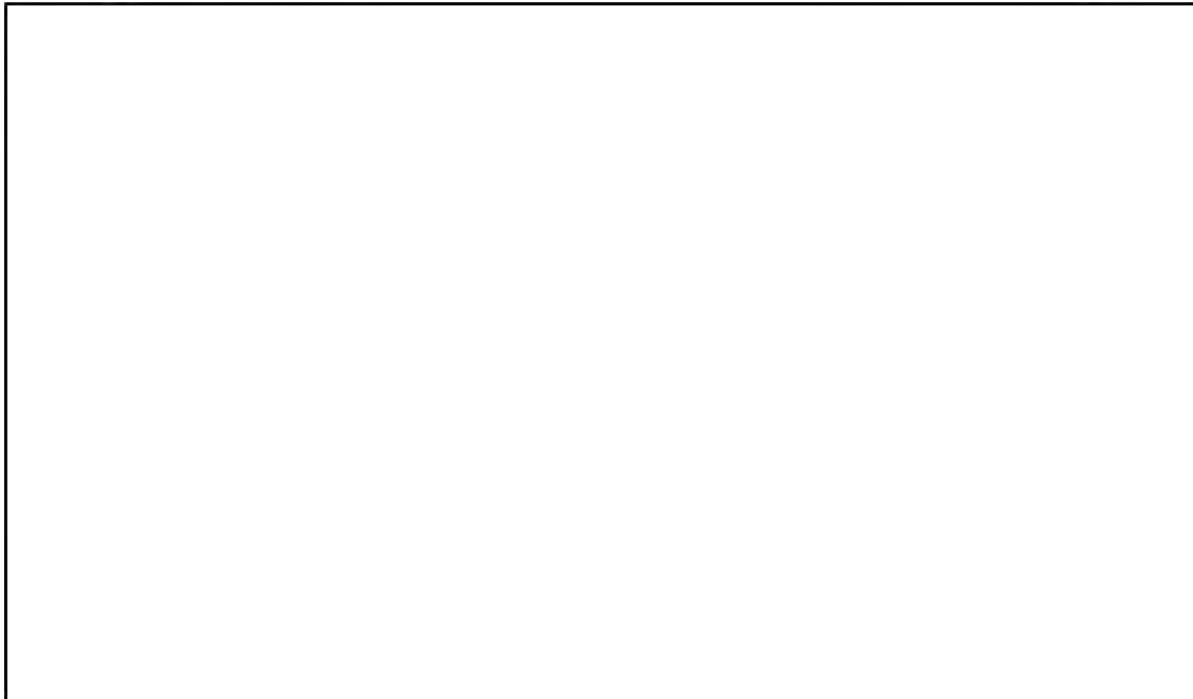
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WESTERN EUROPE

10. French may consider tripartite solidarity at stake in Near East:

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The primary reasons for French coolness toward the proposed Turkish-Iraqi pact may be annoyance over not having been consulted and concern that

the United States and Britain may be invited to participate without France, according to the American embassy in Paris. The embassy believes that France would view its exclusion as a conspicuous break in tripartite solidarity in an area of traditional interest to France.

Comment: If the United States and Britain are invited to join the proposed pact without France, opponents of the Paris accords would almost certainly cite this as confirmation of their charge that France's allies are using every opportunity to reduce France's international influence.

Anti-French feeling is so strong in Iraq that the Nuri Said government will not recognize French interest in Middle East developments. Turkey has close treaty ties with France



25X1A

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but believes French participation in Middle East defense planning would only increase Arab tensions built up by France's North African policy.

11. Comment on the French government crisis:

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Pierre Pflimlin, a Popular Republican leader, who has agreed to try to form a new French government, will attempt to get the Socialists and most of the Radical Socialists to participate in a left-center coalition. Failing Socialist support, his chances to form a government will be slim in view of the rightist parties' irritation at the Popular Republicans for blocking Pinay.

Although a simple majority in the assembly is now sufficient for investiture, it is doubtful that Pflimlin will attempt investiture unless assured of an absolute majority.

Pflimlin is on record in favor of the Paris agreements as the best obtainable solution for the question of German rearmament and as the last chance for European integration. He could be expected to press the Council of the Republic to approve the agreements without amendments. He is a member of the less nationalistic wing of his party and would probably continue negotiations with the Tunisians along the lines already laid out by Mendes-France.

If Pflimlin abandons his attempt, Acting Foreign Minister Edgar Faure, a Radical Socialist, will probably be called. He stands a good chance of winning the backing of the Popular Republicans as well as of most of the deputies who supported the outgoing coalition.

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25X1A

11 Feb 55

CURRENT INTELLIGENCE BULLETIN

Page 11

Approved For Release 2002/10/21 : CIA-RDP79T00975A001900560001-9

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